

BEFORE THE
POSTAL REGULATORY COMMISSION
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING)
(UPS PROPOSALS ONE, TWO AND THREE)) Docket No. RM2016-2

**MOTION OF AMAZON FULFILLMENT SERVICES, INC.,
FOR ISSUANCE OF CHAIRMAN'S INFORMATION REQUEST**
(November 16, 2015)

Pursuant to 39 C.F.R. § 3007.21(a), Amazon Fulfillment Services, Inc. ("Amazon" or "AFSI"), respectfully requests that the Presiding Officer issue an Information Request to obtain answers to the questions stated in this motion.

AFSI requests that the Presiding Officer require that (1) the requested information be produced publicly; (2) information generated by spreadsheets should be produced in Excel or other spreadsheet files; and (3) and any formulas embedded in the spreadsheets should be preserved.

Respectfully submitted,

/s/

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November 16, 2015

PROPOSED QUESTIONS

1. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1) at 30, Table 6. Please provide an expanded table with the line entitled “Total Market Dominant (MD) Attributable Costs” disaggregated to show the effect of Proposal One on market-dominant attributable costs separately for each market-dominant product.
2. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1) at 50, Table 15. Please provide an expanded table with the line entitled “Total Market Dominant (MD) Attributable Costs” disaggregated to show the effect of Proposal Two on market-dominant attributable costs separately for each market-dominant product.
3. Please confirm that the combined effect of Proposals One and Two on attributable costs by product is the sum of the individual effects of Proposals One and Two shown in column 3 of Tables 6 and 15 of UPS-RM2016-2/1. If not confirmed, please provide the combined effect in dollars of Proposals One and Two separately for each market-dominant product and each of the competitive product groupings shown in Tables 6 and 15.
4. Please provide the weighted volume and real (inflation-adjusted) reported fixed cost figures separately for each component and year that were inputs to the component-level regressions performed for all 84 components for

which results are summarized in Table 9 on page 42 of the “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1). In the same table, please also provide the following information by year and component corresponding to each component-level regression.

- a. Nominal reported fixed cost.
 - b. Nominal inframarginal cost.
 - c. Nominal attributable cost.
 - d. Real inframarginal cost.
 - e. Real attributable cost.
5. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1) at 42, Table 9.
- a. Please provide a version of Table 9 that weights the component counts by the reported fixed cost for the component.
 - b. Please provide a version of Table 9 that breaks out the Negative Slope line between components with “negative and significant” slopes and “negative and insignificant” slopes, just as you have done for the components with positive slopes.

- c. Please also provide a version of the table requested in subpart (b) that weights the component counts by the reported fixed cost for each component.
- 6. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1) at 43, which states, “In particular, I accept Postal Service costing for components when the regression results in a negative coefficient on weighted volume. Taken on its face, this result would imply that adding mail to the system reduces fixed cost – a result that I find a priori to be implausible.”
 - a. Please confirm that, according to Dr. Neels’ interpretation, a positive coefficient on weighted volume implies that variable costs for a component are understated, that is, a portion of “reported fixed cost” is variable. Explain fully any failure to confirm.
 - b. Please confirm that, by the same logic, a negative coefficient on weighted volume implies that the variable costs for the component are overstated. Explain fully any failure to confirm.
- 7. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1) at 45, Table 11.
 - a. Please describe the constraints imposed by running a regression between weighted volume and reported fixed costs without a constant.

- b. Please provide a version of Table 11 that breaks out the Negative Slope line between components that have significant slopes and those with insignificant slopes.
- 8. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1) at 49, Table 14. Please provide a table containing the same information calculated in the same manner as shown in Table 14, but for all components with negative slopes. In so doing, please report “Hidden Variable Cost” figures even if negative. That is, do not constrain the “Hidden Variable Cost” figures to be non-negative.
- 9. Please confirm that the Fisher Index of wages used by Dr. Neels to inflate labor costs to Constant 2014 dollars (see UPS-RM2016-2/1 at 33-34) is a single index that is not differentiated by craft. If not confirmed, please explain fully.
- 10. Please confirm that the Fisher Index of wages used by Dr. Neels to inflate labor costs to Constant 2014 dollars (see UPS-RM2016-2/1 at 33-34) is an index of wages, not of total compensation. If not confirmed, please explain fully.
- 11. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1) at 33-34. Please confirm that all of your inflation indices were developed based on calendar year data. If not confirmed, please explain fully and indicate which of the

inflation indices were developed based on calendar year data, which were based on government fiscal year data, and which were based on data from some other fiscal year.

12. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1), footnote 48. Please provide the inflation index values for all of the measures of inflation used to account for changes in labor costs in Dr. Neels’ preferred and sensitivity analyses.
13. This question refers to “Report of Dr. Kevin Neels Concerning UPS Proposals One, Two, and Three” (UPS-RM2016-2/1) at 35, Figure 10.
 - a. Please confirm that the unit costs used to weight volumes for Parcel Post for all fiscal years from FY 2007 to FY 2014 were FY 2014 Alaska Bypass unit costs. If not confirmed, please explain fully.
 - b. Please confirm that the unit costs used to weight volumes for Standard Mail NFMs and Parcels (and subsequently Standard Mail Parcels) for fiscal years 2007-2014 are the FY 2014 unit costs for the residual Standard Mail Parcels that were not transferred to the competitive product list and merged into the Parcel Select product. If not confirmed, please explain fully.
 - c. Please confirm that the unit costs used to weight volumes for Parcel Select in fiscal years prior to the Parcel Select Lightweight transfer

are FY 2014 unit costs for Parcel Select (with Parcel Select Lightweight included). If not confirmed, please explain fully.

14. Did Dr. Neels (or any other expert for UPS) perform any analysis to assess whether there are any “hidden fixed costs” within reported attributable and/or inframarginal costs?
 - a. If so, please provide the analyses and results in their entirety.
 - b. If not, please explain why no such analyses were performed.
15. Did Dr. Neels (or any other expert for UPS) perform any analysis of “hidden variable costs” using data from any periods other than 2007-2014?
 - a. If so, please provide the analyses and results in their entirety.
 - b. If not, please explain why no such analyses were performed.
16. Please confirm each of the following statements. Explain fully any failure to confirm.
 - a. The component-level analysis performed by UPS (and its representatives) to identify “hidden variable costs” was limited to performing univariate time series regression analysis (with and without a constant)
 - b. In this analysis, reported fixed costs were the dependent variable.
 - c. In this analysis, weighted volume was the explanatory variable.

- d. Each regression was performed on eight data points.
17. If Dr. Neels or any other expert for UPS performed any regression analyses with explanatory variables or regression specifications differing from those presented in Dr. Neels' report (UPS/RM2016-2/1), please provide all data, programs, and output from each such analysis, and explain in detail why the results were not presented in the report.
18. This question refers to the following statement on page 34 of the Neels Report (UPS-RM2006-2/1): "For instance, in Cost Segment 10 – Rural Carriers, I measure inflation using a weighted average of 3 inflation indices: the Fisher Index of Postal Service wages, the "private transportation" PPI, and the "equipment" PPI indexes, weighting by the percentage of overall cost in each category in that segment. In this case, the wage index takes a weight of 91.99%, the private transportation index takes a weight of .04% of C/S 10 costs, and the equipment index takes a weight of 7.97%. I use this index to express C/S 10 fixed costs for the years 2008 through 2014 in constant 2014 dollars, and calculate analogous indices to make similar inflation adjustments for the other cost segments."
- a. Please confirm that the inflation indices were weighted and applied to costs at the cost segment level, not at the component level. If not confirmed, please explain fully.
 - b. Please provide the weight given to the wage index for each cost segment.